

Task Force on Climate-related Financial Disclosures (TCFD) Report

At American States Water Company, we have a long history of upholding high environmental, social responsibility and governance (ESG) standards through our delivery of clean, safe and reliable water, wastewater and electric services to our customers. We are also committed to proactively maintaining the integrity of our systems, managing a strong water supply portfolio and an increasingly renewable electric supply portfolio, and planning for climate variability issues and risks. With oversight and guidance from our board of directors, as well as senior management, we have identified climate-related risks to our business. This Task Force on Climate-related Financial Disclosures (TCFD) report provides our stakeholders with information about our climate change governance framework, strategy, risks and opportunities.

This report outlines and specifies our approach to evaluating and mitigating climate change risks and is guided by the recommendations of the TCFD, presenting information for calendar year 2021.

For additional information about our ESG efforts, see our ESG report available on our website.

Forward-Looking Statements

Certain matters discussed in this presentation are forward-looking statements intended to qualify for the “safe harbor” from liability established by the Private Securities Litigation Reform Act of 1995. These forward-looking statements can generally be identified as such because the context of the statement will include words such as the company “believes,” “anticipates,” “expects” or words of similar import. Similarly, statements that describe the company’s future plans, objectives, estimates or goals are also forward-looking statements that are subject to risks and uncertainties that could cause actual results to differ materially from those expressed or implied in the statements.

GOVERNANCE

Board Oversight

American States Water Company believes it is critical that key, informed members of its organization focus on sustainability issues and reporting. The Nominating and Governance Committee of the board of directors provides oversight at the board level. The company’s ESG report and the issues and disclosures contained within it, which includes climate-related discussions, is updated and reviewed by the Nominating and Governance Committee every two years.

Risk is inherent in the operating environments of all our business segments. The company takes an integrated approach to risk management in its business activities to drive consistent, effective, and accountable action in all decision-making and management practices. We maintain an

Enterprise Risk Management (ERM) process to assist with the identification and prioritization of risks across the company, as well as with the development and implementation of risk mitigation strategies. We have identified the top enterprise risks through the ERM process, and the risk mitigation strategies for our key risks are reviewed with the board on a quarterly basis.

The board does not manage risk. Rather the board oversees ERM, performed under the direction of the chief executive officer and senior vice presidents. The board satisfies this responsibility by obtaining information from each committee chair regarding the committee's risk oversight activities and from regular reports directly from officers and other key management personnel responsible for risk identification, risk management and risk mitigation strategies. The reporting processes are designed to provide visibility to the board about the identification, assessment and management of critical risks. The board has also appointed a director to serve as a liaison between the board and management with respect to providing additional oversight of the company's ERM programs. The liaison reports to the full board regarding management's implementation of the company's ERM program and other matters relevant to the risk oversight responsibilities of the board.

The board of Bear Valley Electric Service, Inc. has a safety and operations committee to oversee the safety and operations practices of this business, particularly as it relates to the management of wildfire risks. The committee operates under a written charter.

Senior Management

The company has a Sustainability Oversight team which is responsible for the policies and operational controls of environmental, health and safety and social risks. Members include the President and CEO; Senior Vice President - Finance, Chief Financial Officer; Senior Vice President – Regulated Water Utility for Golden State Water Company (GSWC); Senior Vice President, American States Utility Services, Inc. (ASUS); and Investor Relations. The parent company directs the efforts of the three wholly-owned subsidiaries, GSWC, Bear Valley Electric Service, Inc. (BVESI) and ASUS.

STRATEGY AND RISK MANAGEMENT

CLIMATE CHANGE IMPACT ON BUSINESS STRATEGY AND FINANCIAL PLANNING

Climate change is one area that we focus on as we develop and execute our business strategy and financial planning, both in the short- and long-term. First and foremost, designing and implementing efficient and resilient infrastructure and operational processes not only addresses climate change, but also reduces costs.

Our capital investment programs are critical to ensure we can continue delivering reliable, high-quality water, wastewater and electric services without interruption. As a utility company, our operating strategy is dependent on having a reliable infrastructure in place.

Our company prides itself on developing assets that create sustainable, long-term value. With our installed utility plant asset base of more than \$1.9 billion at cost, and annual company-funded capital investments at our regulated utilities over the last five years of more than \$630 million toward renewing and improving these assets, we make infrastructure investments with a long-term perspective. At our contracted services subsidiary, we spent more than \$270 million in infrastructure improvements at the military bases we serve over the last five years. Besides

replacing deteriorating systems, we have the opportunity to build for the future, taking into account climate resilience, operating risks, and new design standards.

The nation's aging water infrastructure continues to draw much attention as failures of public systems are far too common. Proactive investments in our systems to replace and protect our infrastructure are more important than ever to avoid the costly and sometimes dangerous effects of deferring maintenance. We continually invest to improve our water systems by upgrading both treatment and delivery systems across all of our service territories and military bases. We also invest toward more efficient operations and maintenance of wastewater systems at the military bases we serve. At our Bear Valley Electric subsidiary, we work to ensure the safety and reliability of our electric service by upgrading distribution facilities through capital improvement projects. We are also pursuing clean renewable energy sources that are reliable and economical for our customers.

CLIMATE RISKS

The risks posed by climate variability increase the need for us to plan for and address supply resiliency. We address these risks by planning, assessing, mitigating, and investing in our infrastructure for the long-term benefit of our communities. As a provider of an essential product and service, our primary goal is to ensure service is uninterrupted.

Climate Impact Planning

GSWC considers the potential impacts of climate change in its water supply portfolio planning and its overall infrastructure replacement plans. We evaluate how water supplies, water quality and water demands may change, including mitigation strategies to ensure water continues to reach our customers.

Risks to our Water Supply, Including Water Quality and Mitigation Efforts

There are risks to maintaining adequate water quality and/or supply, either from climate variability or other events. They include droughts, changes in weather patterns, natural disasters, wildfires, decisions or actions restricting the use of water from our sources, and/or pumping of groundwater, and contamination or acts of terrorism or vandalism. We include these potential events in our strategic planning process as we aim to avoid service interruptions and compromised water quality.

Our goal is to maintain adequate and high-quality water supplies. We do this in a number of ways, including monitoring water levels, short- and long-term water supply planning, having a diverse water supply portfolio, developing contingency plans, water efficiency and conservation efforts, and maintaining a strong infrastructure.

GSWC actively participates in efforts to protect groundwater basins from over-use and from contamination. In some periods, these efforts may require reductions in groundwater pumping and increased reliance on alternative water resources. GSWC also participates in implementation of California's Sustainable Groundwater Management Act.

We carefully monitor the water levels to help ensure operational efficiencies when pumping and identify any impacts on the aquifer. We use groundwater models in certain areas and work with other pumpers in our same basins to monitor the amount of water in the aquifer to help ensure withdrawals match refills.

We understand there are risks and threats to our water systems. These include deteriorating infrastructure, natural disasters, climate variability, drought, emerging contaminants, impacts from wildfires and acts of terrorism or vandalism. Per- and Polyfluoroalkyl Substances (PFAS), Cyanotoxins, Micro-plastics, and Legionella are some of the emerging contaminants that we are following and addressing, as needed, as part of our water quality efforts. We include these potential risks and events in our strategic planning process as we aim to avoid service interruptions and continue to provide high quality water to our customers.

To prepare for a water quality emergency, the company has a robust Emergency Preparedness & Response Plan (EPRP). Facets of the plan include employee training and exercises, customer communication protocols, and strategic security initiatives. The EPRP is updated annually and continually throughout the year, all with the goal of providing safe and uninterrupted water service to our communities.

Our dedicated environmental and water quality professionals possess expertise in environmental compliance, water resources, water quality and conservation. Our programs are designed to provide quality assurance and responsible use of environmental resources. Our comprehensive program strives to eliminate or mitigate environmental impacts to air, water and land in both our day-to-day operations and our capital improvement projects. Our company also has a training program for new employees that not only covers regulations and procedures, but also covers environmental awareness and water conservation principles, ensuring that every employee understands our role as a steward of the environment.

California Wildfires – Risks and Mitigation Efforts

Wildfires and other climate driven events are increasingly impacting all utilities. We continue to intensify our programs to protect our water and electric customers. Examples include BVES's enhanced vegetation management, hardening critical BVES facilities in the CPUC's High Fire Threat Areas, integrating generators installed for Public Safety Power Shut-off (PSPS) events at GSWC with Supervisory Control and Data Acquisition (SCADA) for our water systems, and enhancing system redundancies based on probability/impact of natural disasters such as wildfires. In addition, a strong customer and stakeholder engagement communications program is in place in the event BVES invokes a PSPS.

For our electric business, BVES developed comprehensive wildfire mitigation plans, and will have completed \$53.0 million of capital expenditures for wildfire mitigation projects through the end of 2022.

CLIMATE OPPORTUNITIES

Renewable Energy

BVES has a strategy of procuring a mix of renewable energy credits and renewable energy, which will allow the company to meet the CPUC's Renewables Portfolio Standard (RPS) requirements and Greenhouse Gas (GHG) emissions reduction targets. In 2021, BVES's RPS obligation represented 35.8% of total electric supply purchases. RPS requirements continue to escalate, reaching 50% by 2026 and 100% carbon free by 2045. In addition, BVES is considering developing solar generation and battery storage facilities.

BVES offers a Distributed Generation Program, which benefits customers who install a solar or wind-generating facility that produces renewable energy. Those customers can receive a bill credit if their monthly renewable energy production exceeds their on-site use. BVES also has a large number of customers on its Net Energy Metering Program (NEM), which was the previous renewable energy program. NEM customers can receive a bill credit if their annual renewable energy production exceeds their on-site use.

Approximately 5% of the energy consumed by our BVES customers is now generated by customer-owned renewable sources (solar).

Reduced Energy Consumption

Our successful customer conservation efforts, including the use of tiered rates, have decreased our need to purchase or pump water, both of which reduce overall energy consumption. In fact, since 2007, total water usage per GSWC customer has declined by 32%. In addition, through proactive operation and predictive maintenance of the wastewater systems we manage at ASUS, energy use has been reduced.

To reduce energy consumption in our water operations over the long term, our successful customer conservation efforts have decreased our need to purchase or pump water, both of which reduce overall energy consumption. Moreover, through proactive operation and predictive maintenance of our wastewater systems, energy use is further reduced.

We conduct pump efficiency tests, and replace our pumps in part based on these test results. As pumps and motors age, they become less efficient, requiring more energy to move the same amount of water. In addition, at the outset we design some of our key systems to be energy-efficient, then maintain these systems to optimize their reliability and performance. We also monitor changing pumping conditions in our well assets to address operating inefficiencies as a result of drought conditions. When needed, we will redesign pump assemblies to match current pumping conditions.

METRICS AND TARGETS

The company's greenhouse gas (GHG) emissions, related metrics and reduction targets can be found in the ESG report

Contact

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